

*Thornapple Area Parks and Recreation Commission
Barry County, Michigan*

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

Year ended June 30, 2007

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INDEPENDENT AUDITORS' REPORT

Members of the Board Thornapple Area Parks and Recreation Commission

We have audited the accompanying financial statements of the Thornapple Area Parks and Recreation Commission as of and for the year ended June 30, 2007, which collectively comprise the Commission's basic financial statements as listed in the contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as, evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Thornapple Area Parks and Recreation Commission as of June 30, 2007, and the change in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison schedule is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Thornapple Area Parks and Recreation Commission has not presented a management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Siegfried Crandall P.C.

June 3, 2008



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BASIC FINANCIAL STATEMENTS

Thornapple Area Parks and Recreation Commission

STATEMENT OF NET ASSETS

June 30, 2007

ASSETS

Cash	\$ 35,164
Prepaid insurance	<u>4,772</u>
Total assets	<u>39,936</u>

LIABILITIES

Accounts payable	1,706
Deferred revenues	<u>7,000</u>
Total liabilities	<u>8,706</u>

NET ASSETS - UNRESTRICTED	<u>\$ 31,230</u>
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See notes to financial statements

Thornapple Area Parks and Recreation Commission

STATEMENT OF ACTIVITIES

Year ended June 30, 2007

EXPENSES

Recreation and culture	\$ 45,478
Contribution to local unit - capital improvements	<u>1,000</u>
Total expenses	<u>46,478</u>

PROGRAM REVENUES

Charges for services - recreation fees	22,609
Contributions from local units	15,000
Other	<u>8,129</u>
Total program revenues	<u>45,738</u>

CHANGE IN NET ASSETS (740)

NET ASSETS - BEGINNING 31,970

NET ASSETS - ENDING \$ 31,230

See notes to financial statements

Thornapple Area Parks and Recreation Commission
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Thornapple Area Parks and Recreation Commission (the Commission) conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Commission. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Commission has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit in the Commission's financial statements. Also, the Commission is not a component unit of any other entity.

These financial statements include all the operations of the Commission, a municipal joint venture. The Commission was created in February 2000, by an agreement entered into by the Village of Middleville, the Township of Thornapple, and Thornapple Kellogg Schools. The Commission plans, operates, and provides park and recreational programs and services for the citizens of its member municipal units. Costs of operations and park improvement expenditures are supported by contributions from the member units. Each member unit is required to make a minimum annual contribution of \$3,000. The Commission does not hold title to any capital assets. All capital assets used by the Commission belong to the participating member municipal units. Capital expenditures, if any, are reported as "contributions to local units - park improvements."

b) Basis of accounting:

The statement of net assets and the statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by provider have been met.

c) Assets and liabilities:

i) Cash - Cash is considered to be cash on hand and demand deposits.

ii) Deferred revenues - The Commission defers revenue recognition in connection with resources that have been received, but not yet earned.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - An annual budget is adopted on a basis consistent with generally accepted accounting principles for the Commission. The budget document presents information by function. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year. The Commission experienced no significant budget variances during the fiscal year.

Thornapple Area Parks and Recreation Commission
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH:

Deposits are carried at cost and are maintained at one financial institution in the name of the Commission. Michigan state statutes and the Commission's investment policy authorize the Commission to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Commission's deposits are in accordance with statutory authority.

At June 30, 2007, the Commission has deposits with a carrying amount of \$35,164 and a bank balance of \$35,878. The bank balance is covered by federal depository insurance.

NOTE 4 - RISK MANAGEMENT:

The Commission is exposed to various risks of loss related to property loss and errors and omissions. The Commission has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

Thornapple Area Parks and Recreation Commission**BUDGETARY COMPARISON SCHEDULE**

Year ended June 30, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Contributions from local units	\$ 9,000	\$ 9,000	\$ 15,000	\$ 6,000
Charges for services - recreation fees	20,000	20,000	22,609	2,609
Interest	300	300	354	54
Other:				
United Way grant	8,400	8,400	6,520	(1,880)
Miscellaneous	<u>6,500</u>	<u>6,500</u>	<u>1,255</u>	<u>(5,245)</u>
Total revenues	<u>44,200</u>	<u>44,200</u>	<u>45,738</u>	<u>1,538</u>
EXPENDITURES				
Recreation and culture	46,950	46,950	45,478	1,472
Contribution to other unit - capital improvements	<u>1,000</u>	<u>-</u>	<u>1,000</u>	<u>(1,000)</u>
Total expenditures	<u>47,950</u>	<u>46,950</u>	<u>46,478</u>	<u>472</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(3,750)	(2,750)	(740)	2,010
FUND BALANCES - BEGINNING	<u>31,970</u>	<u>31,970</u>	<u>31,970</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 28,220</u>	<u>\$ 29,220</u>	<u>\$ 31,230</u>	<u>\$ 2,010</u>

June 3, 2008

**Members of the Board
Thornapple Area Parks and Recreation Commission**

We have audited the financial statements of the Thornapple Area Parks and Recreation Commission for the year ended June 30, 2007, and have issued our report thereon dated June 3, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 29, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Thornapple Area Parks and Recreation Commission are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007. We noted no transactions entered into by the Thornapple Area Parks and Recreation Commission during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The Commission has no sensitive estimates affecting the financial statements.

The disclosures in the financial statements are neutral, consistent, and clear.



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Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended June 30, 2007.

Other Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Thornapple Area Parks and Recreation Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the Thornapple Area Parks and Recreation Commission as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Thornapple Area Parks and Recreation Commission's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

The Commission has not implemented a system of controls to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to achieve the objectives of recording revenue and expense accruals and the presentation of financial statement disclosures. The Commission has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

This communication is intended solely for the information and use of the Board of Trustees of the Thornapple Area Parks and Recreation Commission and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Sigfried Crandall A.C.